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DEPARTMENT FOR SCA/FO, SCA/A, EB/CBA, EB/OIA
STATE PASS TO USAID (MWARD)
STATE PASS TO OPIC (MOSBACHER, ZAHNISER)
STATE PASS TO USTDA (STEIN, GREENIP)
NSC FOR AHARRIMAN
CENTCOM FOR CG CSTC-A
COMMERCE FOR DFONOVICH AND VDEES

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SUBJECT: AFGHANISTAN: OPIC VISIT BOOSTS INVESTMENT AND SECURES
MARRIOTT HOTEL DEAL

REF: A. KABUL 1468 B. KABUL 1448 C. KABUL 1206 D. KABUL 1033 E.
KABUL 935

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SUMMARY

¶1. (SBU) OPIC President and CEO Robert Mosbacher came to Kabul on 21 April to accompany Dole CEO David Murdock and to examine potential investments in Afghanistan. The visit coincided with the first, US-assisted Afghan AgFair for agricultural buyers. When Mosbacher left on 23 April, he had not only discussed agri-business investment, but also closed a land lease for a new \$80 million Marriott hotel in Kabul; presented a potential expedited equipment purchase proposal for the Kabul electricity initiative to add 100 MW of power generation; and discussed energy, mining, carpets, and trucking investments, access to credit, and other projects in meetings with GoA officials and private businessmen. Ambassador Wood and Mosbacher used a key meeting with President Karzai to break a log-jam on the hotel deal. (Murdock visit was reported via Ref B.) End Summary.

¶2. (U) Embassy arranged a program of senior government and private sector meetings from April 21-23 for Robert Mosbacher, President and CEO of the Overseas Private Investment Corporation (OPIC). OPIC Chief of Staff Dulce Zahniser traveled with Mr. Mosbacher. The OPIC team timed their visit to accompany Dole CEO David Murdock and coincide with the Ministry of Agriculture's US-assisted AgFair, a three-day event for agricultural buyers, sellers and organizations. (Murdock visit was reported via Ref B.)

Marriott Lease Signed

¶3. (SBU) The Marriott deal was signed in a public ceremony on 23 April with Minister of Commerce and Industry Farhang. The lease

between the GoA and TAYL Investors Group will pave the way for building an \$80 million Marriott hotel on a parcel of land adjacent to the Embassy, on the main road between downtown Kabul and the airport. The lease agreement had been hung up on a demand by the Afghan MFA, one of the parcel's owners and the lead negotiator for the GoA, for a five-room set-aside for the benefit of the MFA. The room set-aside benefit had been agreed to in the long-defunct December 2003 land lease agreement between the GoA and a previous group of investors who wanted to build a Hyatt Hotel on the same location.

14. (SBU) In coordination with OPIC, Embassy had laid groundwork for the lease deal with key members of the GoA High Commission on Investment. With the exception of the MFA, we had developed a consensus among other HIG members on an alternative concession to the GoA proposed by the developers (a 25 percent across-the-board discount for all GoA employees). In advance of the visit, the issue was tied up with the Commerce Minister, and bolstered with a Mosbacher to President Karzai letter, with the aim of leveraging the visit to close the deal.

15. (SBU) To tip the scale, Ambassador Wood and Mosbacher (and Murdock) met with President Karzai on April 22. During the Karzai meeting, Mosbacher and the Ambassador were able to press for prompt resolution to secure the hotel deal and signal to investors that Afghanistan is open to business. The Embassy arranged an immediate follow-on meeting with Minister of Commerce and Industry Farhang to finalize lease arrangements and the approval process within the GoA.

With strong support from Karzai, and active engagement of the Ministries of Commerce and Finance, and the Afghan Investment Support Agency (AISA), the Government was able to arrange a special High Commission on Investment meeting during the visit to secure final GOA authorization of the lease agreement (copies provided to

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OPIC, SCA/A, and EB/OIA.)

Bringing Power to Kabul

16. (SBU) On enhancing electricity supply in Kabul by 100 MW -- a priority issue for us and the GOA -- Mosbacher unveiled a proposal from a leading generator manufacturer for an expedited delivery and installation schedule for new diesel/HFO-fueled generator capacity. Minister of Economy Shams expressed strong interest because of the long waiting lines and production schedules for new generators. Mosbacher was able to get a promise of delivery of an initial 30 MW package through his contacts with the CEO of the manufacturer. Under this proposal, the initial 30 MW of capacity would be on-line months sooner with a good likelihood of the 100 MW being in place by the winter of 2008-2009. (Note: Subsequently we have learned that other manufacturers/vendors may be able to match the expedited delivery schedule proposal that Mosbacher brought. This allows us to conduct a competitive procurement for which a Request For Proposal for 100 MW of generator capacity was released on behalf of the USG on May 1. The bids are due in May 15, followed by a selection process and placement of the order by May 31.)

17. (SBU) In meetings with Minister of Economy Shams, Mosbacher also discussed the need to be proactive in enabling prospective independent power producer (IPP) projects and identifying the customers they would service. He urged Shams to work with urgency to establish a legal and regulatory framework that attracts IPPs. He emphasized the need to develop this market in such a way that the public utility -- especially as it is corporatized and then privatized -- not be left with a base of low-return customers. Embassy staff briefed Mosbacher on the work they have done to support this initiative. They also highlighted a critical funding need for the services of legal experts, one familiar with Afghanistan and its power sector and the other with international experience, to help develop this framework. Mosbacher raised this issue with Minister Shams. Mosbacher encouraged the GoA not to be over-cautious about oil exploration for fear of losing to sharp investors. It would be better to take a risk and deliver a small win soon than leave the resource undeveloped.

¶8. (SBU) Mosbacher raised the Aynak copper mining tender process with Shams and with Minister of Commerce and Industry Farhang, urging that the GoA ensure transparency and consider the longer term prospects for the partner relationship, rather than just the initial offer terms. He underscored that the American bidder, Phelps Dodge, has a long record of successful mining development and world-leading technology--both important considerations over the longer term. Shams and Farhang, both of whom are on the tender selection commission, said that they understand the importance of looking beyond the initial terms of the bid.

¶9. (U) In several meetings with USG and GoA agencies, Mosbacher said that coordination between the private sector, development agencies, and governments would be needed to follow up on investment interest from DoleQs David Murdock not only in agriculture but also in carpet, marble, and possibly cashmere production and export. A meeting with the USAID-funded Afghan WomenQs Business Federation provided a useful discussion of recent efforts at creating an Afghanistan carpet brand and ways in which these efforts could mesh with potential U.S. private investment. Mosbacher and Mission staff also discussed an ARG-led truck leasing initiative which, when developed, would provide leasing capital for financing of truck fleets to selected, qualified operators in Afghanistan. Mosbacher briefed USG, GoA, and Afghan and U.S. private players on upcoming OPIC projects to provide access to credit for small and medium-sized enterprises, as well as a potential U.S. industry source for low-cost solar power for civic buildings in remote areas.

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COMMENT

¶10. (U) MosbacherQs visit, his second to Afghanistan this year, amplified the theme of his January trip: that the U.S. is committed to helping Afghanistan by helping its private sector grow. The Marriott hotel deal, in itself an important investment, should cement that message as a major American brand becomes a landmark for visitors to Kabul. Similarly, the competitive procurement of gensets to provide an additional 100 MW of power for Kabul will produce a visible difference in AfghanistanQs capital, with positive implications for political stability. OPICQs proactive engagement on these and a number of small and medium-size projects here is making a difference, and we look forward to continued follow-up work together. End comment.

WOOD